



FUND MANAGER	FIRST CITY ASSET MANAGEMENT LTD
FUND TYPE	LEGACY USD BOND FUND
PERIOD	DECEMBER 2018

FUND INFORMATION

Investment Objective: The Fund seeks to generate stable income for investors, by investing primarily in credit-rated fixed income instruments.

Domicile	Nigeria	Min initial purchase	5,000 units
Fund Incorporation	2018	Min additional purchase	1,000 units
Bloomberg Ticker / ISIN	FCAMLUB NL / BGG00LWSF8P5	Entry/Exit fee	Nil / 2% of total proceeds, if within 6-months
Base currency	US Dollar (\$)	Annual Management fee	1.50%
Fund size	\$6.55million	Performance Fee	20% of excess return net of fees, over 10%
Bid / Offer Price	\$1.0295/\$1.0295	Trading frequency	Daily
Estimated Total Expense Ratio	2%	Settlement	Trade date + 5

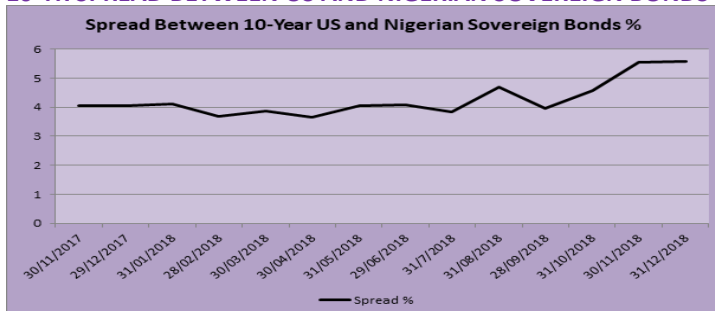
SUMMARY OF MARKET ACTIVITY AND OUTLOOK

At the end of December, the Fund closed with allocations of 90.89% and 9.11% to Bonds and Money Market Instruments. In addition, the Fund was 56% and 44% invested in sovereign and corporate instruments. Month-on-Month, the Fund returned 0.70%, with an annualised return of 8.45% in December. In addition, Fund duration fell from 5.76 years in November, to 5.43 years. Also, the spread between the 10-year US Treasury Note and similar maturity Nigerian Sovereign US Dollar Eurobond, widened by 4 basis points, to 5.58%.

The US Federal Reserve Bank, at its meeting in December 2018, raised its Federal Funds rate by 25 basis points, to 2.25% - 2.50%, and dialled back projections for interest rate hikes in 2019, amid recent volatility in financial markets and slowing global growth. This was the fourth interest rate increase in 2018, on the back of solid economic growth and strong labour market. The US Federal Reserve Bank now projects two hikes in 2019, down from the previous three. Policy tightening by the US Federal Reserve is expected to further increase the borrowing cost on the issuance of new US Dollar denominated bonds and should further limit new supply. For instance, the Nigerian government raised US\$1.25billion by issuing a 12-year US Dollar Eurobond at a coupon of 7.143% in February 2018, but had to increase the coupon on a similar maturity US\$1billion Eurobond that was issued in November 2018, to 8.747%. However, the external vulnerabilities that plagued Emerging Markets in 2018 are likely to stabilise, with the temporary halt of the US-China trade war.

Markets are expecting a devaluation of the Nigerian Naira by the second half of 2019. This is despite measures taken by the Central Bank of Nigeria to stabilise the Naira, including offering higher yields on domestic securities. Investors continue to hedge Naira devaluation risk by diversifying into US Dollar denominated instruments directly, and indirectly through Legacy USD Bond Fund. Furthermore, Nigerian banks whose Eurobonds have call options (Access Bank 2021s, FBNH 2021s, and Eco bank 2021s) are expected to exercise such call rights this year, since these Eurobonds will automatically reprice at higher interest rates if they are not called. Access Bank has already announced that it intends to call its June 2021s Eurobond in June 2019. The US\$1.10 billion expected reduction in available Nigerian Corporate Eurobonds should put downward pressure on yields. The Fund is not exposed to any of the callable Eurobonds

10-YR SPREAD BETWEEN US AND NIGERIAN SOVEREIGN BONDS



MAIN RISK FACTORS

MARKET RISK: Risk that an investor could experience losses as a result of changes in factors that impact the whole market, such as interest rates and foreign exchange rates

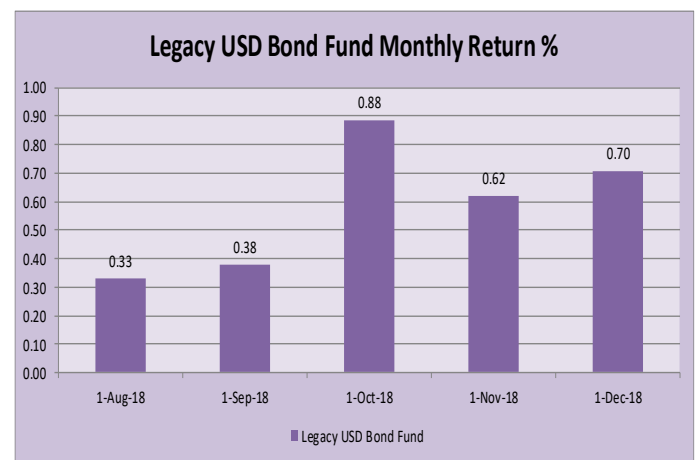
DEFAULT RISK: Risk that a company will not be able to honour its debt and may be forced to stop trading

DOWNGRADE RISK: Risk that a company's credit rating may be cut, which could affect its market value

PERFORMANCE

Legacy USD Bond Fund	
December Return % (Annualised)	8.45
December Return % (Monthly)	0.70
December Change in US\$/NGN FX rate %	0.31
Total December Return in Naira %	0.39
Duration (Years)	5.43
Weighted Average Maturity (Years)	9.56

Fund Performance: Fund Year is July - June



FUND STRUCTURE

Allocation Strategy

	Currency & Asset Allocation Ranges	Actual
Currency Exposure	100% US Dollar	100% US Dollar
Money Market Instruments	0 - 30%	9.11%
Bonds	70 - 100%	90.89%
• Sovereign	Up to 100%	56.01%
• Supranational	Up to 100%	0%
• Corporate	Up to 75%	34.87%

Fund Allocation based on Fitch Ratings

